

MINUTES

JOINT TRANSPORTATION OVERSIGHT COMMITTEE

Tuesday, December 11, 2007

10:00 a.m.

Room 1228, Legislative Building

The Joint Transportation Oversight Committee met on Tuesday, December 11, 2007 at 10:00 a.m., in Room 1228 of the Legislative Building. Senators Jenkins, Phil Berger, Hoyle, Hunt, Rand, Snow and Stevens; Representatives Cole, Carney, Coates, Crawford, Gillespie, Ty Harrell, McComas, Saunders, Allen and Jones attended.

Senator Jenkins recognized and introduced Lyndo Tippet, Secretary, NCDOT. Secretary Tippet stated that they were here today with the McKinsey report and I want to give you some background on how we entered into the agreement with McKinsey. We did an RFP in March of 07 and had seven respondents. We asked for Management Consultant Services to form a strategic and organizational assessment of the Department. The competitive process determined the best qualified firm followed the state purchasing contract procedures. Seven firms submitted their responses to an RFP. We screened their responses and reduced the nominees to McKinsey, Mercer Consultant, Booz, Allen & Hamilton. After an oral presentation to me and seven or so other committee members, to include purchasing contracts, we unanimously selected McKinsey to do the job. We asked the Governor's office for approval, including our purchasing contract and state budget as well as the Attorney General's office. In June we amended the initial contract which was for \$1.1 million to extend the procedures and proceed with phases two and three, based on the results of their organizational assessment, which was the purpose of the initial engagement. Our key consultant requirements included extensive experience with organizational assessments, which the nominee had, and also experience with large organizational transformations. This is very important given the magnitude of the objective we have and the size of our department. We wanted the ability to bring in private sector thinking to our operations, as well as proven business practices to the public sector. We also are interested in global experiences. We are also interested in the proprietary tools techniques for addressing strategy and performance. Again, McKinsey surfaced to the top on all of those requirements. The initial two months diagnostic was to be performed and priced at \$1.1 million, then the 9 months transformation process for the readiness and strategic plan was an additional \$2.5 million. The DOT review included hundreds of our managers. Actually, there were over 200 people involved in the process, with eight fulltime on sight McKinsey staff people and others in their DC office, as well as other offices assisting. McKinsey provided extensive leadership trained in strategic thinking and organizational effectiveness to our key managers involved in the engagement. They also helped us provide strategies, setting performance metrics as well as talent management initiatives, an organization design and transformation management. In short, to us, graduate level training, which as you know, many in the Department did have and many of us did not. We proceeded into the engagement trying to identify goals which would have high impact changes and develop the organizational capability to

implement long term sustainable change. We did do some fact based diagnostics with the employee survey, which many of you have heard of. The survey did exactly what I anticipated. There was a lot of good news and there was some bad news. There were some attitudes which surfaced from employees. Overall the responses from our employees were good. They expressed their concerns and we set about to address those which we could. They also included private interviews outside the Department with some of you, as well as Governor's administration staff; engineering competence and also public and private sector businesses. As you know, the MPO helped set our TIP agenda. We included people involved in that process as well. I think you have all received a copy of the McKinsey report; Appendix A which summarizes much of this. It is diagnostic feedback. It has been provided to all key stakeholders to insure that nothing was missed. We received agreement to move into the transformation process, which we viewed as a mandate for change; of the five initiatives, included Appendix B of your report. We found that we should align our strategic direction around the clear mission statement and goals, which we did. We should also attempt to streamline our project delivery, which we've had some success. We also want to improve our productivity throughout NCDOT, as well as increase accountability for visibility performance. One of the key factors, as indicated from the employees, was to improve our talent management initiatives. We did create and train a Transportation Management team called TMP to address initiatives and that includes about 25 of our top DOT managers. Each group has a sense of urgency and backing to address the needed changes, which we have identified. We put a twelve month time frame as an objective for these changes, many are already underway, many more to come. We have solicited input from all stakeholders and will provide feedback on our successes. Our goal is to institutionalize successful and new processes quickly. We want to create the right management structure and organizational design to run a 21st century DOT. To do this, we must establish core ? for all positions starting with our executives as well as perform metrics on all of our performance management reports and reporting processes. We need a bottom up assessment of the Department, which we have done, on spending and the related output. We've streamlined our mission critical purposes, suggestion productivity or project budget to the revenues available. Strategic planning and our prioritization of resources is a part of this. We know that we cannot be all things to all people, so we have to do with the budget which you provide. Our talent management programs will reinforce successful behavior and create future leaders in the Department. I think our report findings as you have read, will leave a blueprint for transformation. It is an almost 500 page document. The executive summary is 22 pages, which I hope you have read today. It does highlight the complexities and urgencies of our task. It recognizes our strengths and our weaknesses. Our engineers, as you know, if you've dealt with them out in the various fourteen divisions, all represent a can do attitude. In a time of crisis, they all respond as you well know. It also identifies leadership positions, finance, marketing promotions and reporting. The challenges of DOT are, of course, significant. We are trying to make a good organization even better. I would tell you that the last few months my life would have been much simpler had I not asked the Governor to do this a year ago but myself, I have always thought of as an agent of change. I did not choose to go through 2008 with an idea of complacency. I think DOT is a great organization and over the next several months, we will attempt to make it even better. This report indicates that it is not

business as usual at DOT. Our team is very committed to change. We hired what we thought was the best external partner to lay the foundation and the results of the study affirms that decision for me. It is up to us to now execute the plays, which has been designed in this process and we fully intend to that.

Senator Jenkins recognized and introduced Roberto Canales, NCDOT; Transportation Management Team Leader. Please see attached presentation “Update on Transformation Progress”.

Senator Jenkins recognized and introduced Richard Elder, McKinsey and Company. Mr. Elder stated that McKinsey was founded in 1926. We have approximately 8,400 consultants worldwide. We currently have 83 offices in 45 countries around the world; 21 of which are here in the United States. We serve approximately 90% of the 2,000 largest global companies. We’ve organized 18 industry sectors, six functional areas. Whenever we serve clients, we get the best people available from whatever office, so in this case, we had full time key members from our offices in Washington, DC, Charlotte, NC as well as Atlanta, GA. We pulled subject matter experts from literally around the world; some of which came over in person to work DOT on particular issues. We were brought in to do the diagnostic. That was done over a couple of month period. We were then asked to stay for another four months in a broader capacity, to help drive the transformation, build the capabilities and work on the key processes and organizational construct that would be successful. Appendix A, of the final Report is focused on the diagnostic, Appendix B is focused on the actual transformation work.

Senator Jenkins recognized Senator Hunt. Senator Hunt asked how we can be sure that the data driven decisions are not political decisions.

Mr. Elder stated that it was a partnership between the General Assembly and DOT in terms of setting the priorities and being very clear about what the budgets are and being very clear on the prioritization. One of our recommendations is that you all, within the DOT, setup a Strategic Planning Office. This Planning Office would look across the Department; look at all the different projects that people would like to have done. Look at all the different human requirements, environmental requirements and funding requirements to come up with a prioritized list. Once you have that list, we would encourage for each project being very clear on what the timing is, who needs to be involved, and what the funding requirements are to make sure the Department stays within budget and on time. In terms of setting the actual priorities to prevent bridges to know where, as the DOT comes up with priorities, they have to work closely with all of you to get very clear on what those priorities are so that you are comfortable with what they are executing on and in what order and how long it is going to take. I don’t think it is just the DOT by alone, I think it has to be a broader partnership than that.

Senator Jenkins recognized Representative Jones. Representative Jones asked what level of review and recommendations would you provide to the Department regarding their future role in public transportation funding and support for urban transit systems.

Mr. Elder stated that we were not asked to look at urban transportation systems. We were asked to look at, across the Department, how could the Department execute better given what its mission was. We looked at potential funding alternatives. We had a few workshops with a number of people on the TMT to think about what those funding alternatives would be. Ultimately, you will be heavily involved in determining what those might be.

Mr. Canales stated that is a big part of what the Strategic Planning Office is supposed to address. We will be interviewing for that position, which was one of the definite items that McKinsey recommended. We also had a work stream that is called Mobility. That will look at, across the Department, not just a highway issue, but looking at how we interconnect all the modes and determine how they affect the economy and the public. We will look at specifically how we expend our funds; where we get the most bang for the buck. The Board of Transportation also implemented the 2004 Strategic Plan. In that, they identified specific percentages of funds that should go to the other modes versus highways. In reviewing that over the last few years, we've been on target with their direction. Those are the things we have in place to try and address what you are referring to.

Senator Jenkins recognized Representative Jones. Representative Jones stated that the demographics relative to the ageing population regarding other modes of transportation, other than automobiles will be a pressing issue in 15 years.

Mr. Canales stated that was one of the areas we focused on. Public transit spends a lot of time working with the local entities. We have one of the best operating train systems in the country, when you look at our passenger train. We are working heavily with TTA in their efforts for regionalization of a possible commuter opportunity. We work heavily with CATS in their new link system that went out. You also have the airports. We have the second largest ferry division in the country. Most folks do not realize that. That has a great impact on the economy of the eastern part of the state. We are taking those things into account.

Senator Jenkins recognized Representative Allen. Representative Allen stated that in general terms, when we are talking about road miles and paying for roads, we list where we stand compared to other states. How has McKinsey's Report compared our organization to other state organizations?

Mr. Canales stated that when they were here, especially the four months prior to their leaving, when they were helping us with learning the transformation aspects of actually how to move forward, after the diagnostic, they did a lot of work looking at other organizations across the country. Those are the types of things we go back and look at. We, as a department and we as a state, are looked upon very favorably when it comes to organization structure and initiatives. Many times we are the ones people come to see. They have looked at states such as Washington, Florida, Texas, Virginia and Missouri.

Senator Jenkins recognized Senator Hoyle. Senator Hoyle asked what the total number of employees within the Department is.

Mr. Canales stated he was not certain.

Senator Hoyle asked if McKinsey made any comparison as to how we compared to other states.

Mr. Elder stated that when we looked at other organizational constructs, both from other DOTs as well as public and private entities, it is too difficult to compare because of what you all were asked to do. You set up a DOT to do a lot; other DOTs are narrower in their scope. It is more apples to oranges in terms of the comparison

Senator Hoyle asked if there had been any studies regarding ways to transfer some state DOT responsibilities to local governments with some resources to help them do it on a local level. Has that been the focus of any study, and is it worth looking at?

Mr. Canales stated yes. One of the initiatives that we are working on, from a strategic planning perspective, is just what a department should do. Working with the MPOs, League of Municipalities, the Counsel of the County; we are talking about concepts, for example, where if there is enhancement or additions to existing state roads in their counties; that we would continue maintenance and ownership, but those types of expansion exercises might come from a local. We have also talked about the opportunity of providing funds for very specific things and letting the local governments address how that is used on their specific roads in their jurisdictions. Those are issues we are working through right now with our Strategic Planning Process.

Senator Hoyle stated that in your presentation you talked about performance and standards, getting streamlined and doing a better job, in business there are rewards for performance, incentives meaning money; what is a reward within the Department?

Mr. Canales said there were incentives. We are looking at the value propositions for all employees. We have opposed, through this new PM process, coming back later and looking at us entering into an agreement similar to Office of State Budget. They have a process for pay for performance. We have to have a more specific nailed down performance evaluation process. We need to say when you do something, you get x. We do have some pilots that you have agreed to allow us to do. Those are opportunities.

Senator Jenkins recognized Senator Rand. Senator Rand stated that in doing that, you talk about enhancements, will they also be graded as you do these projects. Will poor performance be recognized as well as average or extraordinary performance?

Mr. Canales stated that would be the intent. We would go from a subjective good, very good, outstanding to an actual point system, where if you know you have to do certain things, you get points for doing that. We are working towards those types of metrics that get very specific.

Senator Jenkins recognized Representative Coates. Representative Coates stated that you talked about prioritization, did you look at projects that were two weeks away from being funded, then, suddenly, they are not even a priority. They are not very high on the TIP program. Another thing you talked about was bridges, and bridges that are 50 years old. What about bridges that are more than 50 years old? Are we looking at any of those things?

Mr. Canales stated yes. That goes back to having a more specific bridge management program, and addressing the priorities based off needs and ability. In many cases those types of bridges you are referring to, our folks are spending money annually doing improvements to what is there to keep them above substandard. You don't have to worry about the fact that the bridge is 100 years old. They are working to keep that bridge up and above standard conditions. As it relates to the TIP, we go through a process of setting the projects based off of local input. I can't answer unless I know the specific project.

Senator Jenkins recognized Representative Saunders. Representative Saunders stated that over time, I have seen a lot of reports, and there seems to be a black hole some place between the report and the actual delivering of the report. Apparently, you are doing some of this based on your report. You talk about accountability all the way through your report, which is good. The over all accountability, is that going to be reported and will this committee be aware of what is going on, on a regular basis as to how the plan is being rolled out and how successful it is. Is that built into the report? Is there a regular reporting procedure?

Mr. Canales stated that as far as coming back, we can do whatever it is you wish. We are not looking at this as a report. We are looking at this as we are doing an assessment of various work streams in the organization. We are coming up with recommendations and working out the details and implementing. On the bridge and the TIP, the ones that I presented, we are implementing those early this year. The other work streams, as we go through the process, we come up with the recommendations and get them through, we are going to implement.

Representative Saunders stated do you have a plan in mind that there would be a report back to this committee. I trust them to do what they say the plan is going to do, but I would like to be informed of what is going on.

Senator Jenkins stated that it would be my intent, and I'll yield to my co-chair, that I think several things ought to happen. I think shortly we ought to start seeing a new organization chart at DOT. We were told 30-45 days. We had a report in October; theoretically, we should have seen some names moved around over there. I think we need to see a new organization chart. I don't know if it is in the McKinsey contract at \$3.6million to come back at some later date, six or nine months from now and review what it is the Department has done, based on their recommendations. Let us know whether or not they think it is being followed. If it is not followed, I'd be interested in

what they might charge to do that so that we as a committee could see how they are doing so it doesn't wind up in this black hole you are talking about.

Senator Jenkins recognized Representative Harrell. Representative Harrell stated that you struck one nerve that has resonated amongst many of the folks I have talked to in regard to DOT, and that is the price tag of this \$3.6million project for this report and the accountability. I would like to say, as a member of this committee, that we do have both the members of the DOT and members of McKinsey come back to us after a particular period of time, and give us an update. What are the time lines? That is a huge chunk of change. The \$3.6million price tag is for the consultant's fee and the vague generalities of many of the things we already knew about. We knew that these problems existed, what can we do to solve them? I think this is a good first step, but I'd like to see, as a member of this committee, more substantive and concrete solutions come forth.

Senator Jenkins recognized Representative Crawford. Representative Crawford stated I'd like to commend DOT for this study. You get what you pay for. We paid dearly, but I've been here long enough to see a lot of these studies go on the shelf. I want to commend them for the fact that they are aggressively implementing this plan. We need to look at it, but it is obvious they are taking steps that I have never seen in DOT before.

Senator Jenkins recognized Senator Hoyle. Senator Hoyle stated tell me how the TIP is established. The way I understand it is, we have public hearings for these divisions every two years, then we have public information, we get all this data from all these people; what is the process to reduce that information into the final TIP. Is the Board of Transportation involved, do they set grades? Who has the final say; is it the Governor? How does that work?

I was on the Board of Transportation a long time ago and it was kind of vague then, it is vague now and I would just like to know is it still vague?

Secretary Tippet stated that the TIP is politically based. It starts at the local level with MPOs, RPOs; members of those organizations that are composed of elected members generally from the area of the MPO which they serve. To identify the projects which they think would best serve their communities and they advise DOT staff as to which project they would like to move forward. The draft TIP, which we just released, is then drawn up and presented back to the communities for input. Generally, the draft MP is with the draft TIP document is changed, but it is not changed because of the way the process is developed in the beginning. It originates in the communities and moves forward. There is quite difference from prior years, back when you served on the Board of Transportation.

Senator Hoyle stated, MPOs, and RPOs, they are made up of elected officials. It seems to me that it is pretty simple to get an MPO and RPO to recommend drawing a line on a map and say we ought to have this road here. There is no realistic process they use. How serious are these organizations viewed in the total process? Are they taken seriously or not?

Secretary Tippet stated, they are our eyes and ears in the process. We do rely upon them. They play an integral role in determining what the community needs. All these projects are subject to the Equity Formulas established in 1989. The only money excluded there is general fund money.

Senator Jenkins recognized Representative Allen. Representative Allen stated I have been very active in the RPO in my area. We establish definite criteria to look at projects, set priorities. We have five ? district that set a priority which was going to benefit Franklin County and Warren County. I think the RPOs definitely work with a strict process.

Secretary Tippet stated the RPOs were established by legislation early in my term. In 2002 we went throughout the state establishing RPOs to allow them to give input. From the more rural counties the MPOs have been around for years. The rural counties throughout the state not represented. In some cases there are ? counties with MPOs and RPOs, but they do work together in establishing the priorities.

Senator Jenkins recognized Senator Berger. Senator Berger stated that the Secretary said the magic words in one way about some of the issues that we are dancing around now; and that is equity formula. I was wondering whether or not the McKinsey review included any recommendations regarding the equity formula? If not, is there a process through which the Department currently is addressing questions about that?

Secretary Tippet stated, as you know those blue ribbon commissions recently established, which is addressing equity formula. There is the traditional battle between rural and urban, but I would imagine the equity formula as Sam Hunt said there would be no trust fund had it not been for the equity formula. It was a tool which was developed back in 1989 and we do not view ourselves for agents of change in the equity formula. It was established legislatively and if it is changed, it will be done so through appropriate hearings at this level.

Senator Berger stated that I would understand there is no recommendation from McKinsey, so the current view by the Department will not result in any recommendations regarding equity formula.

Secretary Tippet said, no.

Senator Jenkins recognized Representative Carney. Representative Carney stated in your study in talking about our prioritizing our projects, the TIP for example, how did we compare with other states in the way they prioritize their projects.

Mr. Elder stated the other states are all over the map.

Senator Jenkins recognized Representative Cole. Representative Cole stated Senator Berger I think this 21st Century Transportation Study committee is going to have to be the

lead agency that proposes funding. We know we don't have sufficient funds to do what needs to be done in this state. It has to take some form, other than what we have done in the past. With regards to the loop, I'm sure that will be considered in that, since I sit on that finance committee too. I would expect to make those recommendations. With regard to Senator Hoyle's question about the TIP, I think the Secretary made the first comment; it is political, that is what it is. That is something else we need to address. How do you rate your employees; what kind of scale for their performance? What percent of the employees fall into each one of those categories?

Mr. Canales stated in the report there is a chart that shows how we compare. They found that we actually did away with .5% annually of our staff for poor performance versus the federal government with a 3½% range. Almost all of our employees were good or better. There was a very few number that were below good or unsatisfactory. That goes back to the objective evaluation process versus the subjective.

Representative Cole stated what you are saying is it parallels ? state government. Approximately 96% of the people performing at good or better; that is an impossibility.

Senator Jenkins stated I would hope that parts of your staff would be prepared in a six month time frame to give us a report card on how we're doing with the help of McKinsey.

Secretary Tippet stated we do have a process reporting to the Board of Transportation monthly on the progress.

Senator Jenkins recognized and introduced Mark Foster, NCDOT; Chief Financial Officer. Mr. Foster presented an overview of the I-40 Repairs and Administrative Budget Reductions. Please see attached presentation "NCDOT I-40 Administrative Reduction".

Senator Jenkins recognized Representative Coates. Representative Coates stated did you expect to recover part of this expense from the people that did the work.

Mr. Foster stated yes there are ongoing efforts from the external consultant. Obviously, the cost here is also shared by federal highways; probably 80% of that cost will be reimbursed through the federal reimbursement program. You and I both know that federal dollars are really state dollars just coming back to us a different way. We felt that it was our job to pay for it out of our administrative savings. If we were to recover from external consultants or others, then next year we would look to reduce this.

Senator Jenkins recognized Senator Hunt. Senator Hunt stated that one of the things the McKinsey report talks about is having responsibility of an individual project. It also talked about the responsibility of it being a team responsibility, and I was wondering if you would like to comment on the team responsibility concept versus an individual being responsible. How does that compare in effectiveness to an individual being responsible?

Mr. Foster stated that even though there will be a team; there will still be one person, the general contractor, who will be designated as the point person. He will be responsible for insuring that everyone on the team is performing.

Senator Jenkins recognized Representative McComas. Representative McComas stated what would be your comment if I made the statement to the affect that if you can generate funding \$2million savings from your administration savings, does that indicate that your budget was inflated by that much.

Mr. Foster stated we went through a significant fiscal crisis a few years ago. We took action three years ago to basically not do some things that maybe we strategically should have. Some of those efforts are reflected in some of the administrative work that we've delayed or not done, or positions we haven't funded. I wouldn't say it is unneeded, but it is going to look very different after we do the bottom up, and it may reflect \$22million of savings or it may reflect half of that. It will be very clearly focused on what a DOT should be doing both centrally as well as decentralized.

Senator Jenkins recognized and introduced Jon Nance, NCDOT; Director of Field Operations. Mr. Nance stated I want to talk about Express Permitting. This is something that was started in DENR with several of their permitting processes, and has had good response to that effort. The question was asked how would that apply to DOT? Driveway permits; we issue driveway permits anytime there is new use or change of use. We have a lot of changing uses in North Carolina; a lot of redevelopment. If you change from a gas station to a Food Lion shopping center, that is a new use and have to get a driveway permit. You can see from this slide that there are a lot of uses along the road and as you continue to have those, it affects the performance of the roadway; that corridor. There are a lot of encroachments. As you look at it, there are a lot of different utilities and plantings along those roadways. They create a lot of challenges for us, and a lot of operations we need to go through to get those approvals in place. As a part of this process, safety has to be very important, and it is a challenge in this process. As you look at this slide, you've got a traffic signal; something that we are seeing more and more of in the state as we continue to grow. As you start having these things occur on an individual basis, trying to review and approve these, you end up with scenarios like you see here. Anywhere in North Carolina where you have an existing driveway very close to a traffic signa, it creates issues with safety. If we are trying to deal with this intersection or we are trying to deal with a new development across the road, it has impacts with existing businesses. The fact that our current reviews are isolated in nature, limits what we can do to try to mitigate the affects of new developments on the roadway. Limited road frontage leads to limited improvements, and right of way issues that exceed beyond the properties that you control. In addition to what we are doing with new developments, we've also got to be attentive to the community affects. You see a pedestrian precariously placed in the middle of that roadway; that is very important to the community. This is happening everywhere in North Carolina. You can look at this picture and see the multiple uses. Each one of those businesses came along at a different time for a different driveway permit, different access review and considerations. We have to deal with those individually; while at the same time, trying to stay focused on the use of that roadway.

Driveways are reviewed by 40 district offices across the state. That is done locally in those different offices in some cases, and in some cases they come to our Raleigh office for further review. It depends on the complexity. We do about 5,000 permits per year. That varies greatly, depending on what is going on in the state. If you have downturns, we see some of that. Wake County and Mecklenburg County by far are our busiest districts. In Wake County they did 225 last year, average six to eight weeks, in some cases years. Driveway permits can be duplexes. It can be as simple as a duplex. It can be as complicated as a new mall. The expertise required to do those reviews varies greatly. It is very important while we are doing these reviews, that we stay focused on the major corridors throughout the state. This particular slide happens to be in Fayetteville. You have the Cross Creek Mall and you have the All American Expressway, with all that it does. You have the 401 Bypass, which is hard to tell because everything is around the bypass. It is very different across the state. One thing that we struggle with currently in the Department is the time between land use planning and transportation planning. The Department obviously provides input to developments as they are proposed. We suggest things, we predict things, we offer advice when we can, but ultimately we react to the approvals that take place locally, and try to mitigate whatever that happens to be. In a case like this, it could be major for large scale developments like that. We do try to work with developments that are large, that are initially starting doing phased approvals. You may have a large subdivision and the first phase is 100 lots or 200 lots. We look at the improvements for that first phase, which allows developers to develop their property, create capital to do additional improvements later. We also try to be attuned to the cumulative affects of what is happening along the roadway. It is not just at a particular interchange or intersection, that roadway continues from one spot to another. I mentioned a time frame of six to eight weeks in Wake County. There is a lot of coordination that takes place with municipalities. We have to include the most restrictive requirements in our driveway permits. We sign off last. If the town of Mebane decided they wanted sidewalks and plantings; that would be on their list. We would include that in our driveway permit process. There is coordination back and forth prior to final approval of the driveway permit. That will be a challenge moving forward to look at a time sensitive approval. Our existing fee is \$50. That is \$50 for a brand new mall; that is \$50 for brand new duplex unit. It is \$50 if you have a driveway pipe. If you do not have a pipe, the cost is zero. That is the way we are currently set up. At \$50 permit, 225 permits in Wake County, we would have generated a little over \$11,000. We spend a little more than \$100,000 reviewing those things. That is just making a lot of assumptions about not having to go back and forth with re-reviews. We are talking about high level technicians, and new to mid level engineers involved in this process. If it gets to be very complicated, like what you see on the screen here, you are talking about traffic impact analysis; predicting where the traffic is coming from, where they are going, where it will be made of, what time of the day, what affects it has on the roadways around it before we start, traffic impact analysis just like you see here. That could take two to three months to years. We have done 120 TIA's (traffic impact analysis) so far this year. Those types of things come to Raleigh to be reviewed, because it is very complex. We want to make sure that while we have an opportunity to review it and include these improvements in the approvals, that we do that. If we don't do these things and have these things done as part of developments, we certainly don't have the

budget set up to go back and do turn lanes, add traffic signals and additional lanes. When all else fails, we do the best we can and that is what you are looking at here. Many years ago there were a few spots here and there, and you could see the green signs ahead; that used to be the main connecting road. That sign was to let you know in advance where you needed to turn to get to that interchange. I think now, with all the cars and developments, you'll have plenty of time to figure out that road is coming up, and speed is not going to be a concern. Right of way is not available to us, so we end up with some creative measures such as that island in the median, focused on progressions along that roadway. It has affected the ability to turn left into the motel or to turn out of there, but that is done at the expense of mobility, safety as well. One other permitting process that we have in place; encroachment agreements are anything that is done within the right of way. That includes planting, utilities lines, lighting and lots of different things. That is another process that we have where we have folks submitting, we review them and there is a lot of time involved. We do about 1,200 per year of those. It is very simple to very complicated; encroachment agreements, major sewer lines, power lines, minor telephone lines, it is all over the board. We have more and more requests, and they are becoming much more complex. The days of the 25 lot subdivision have been replaced with the 4,000 lot subdivision, and the multi-million dollar new roadway systems that go along with those developments. Those types of reviews don't typically happen on the desk of a technician out in the county in a district office; there is a lot involved in that. It is not just access, it is construction procedures, the materials that are used; there are a lot of things that go into play. Time is money. If you have a proposed development and it takes a year or two to review that to move that project forward, you can imagine the conversations we have everyday out in the field. One of the issues we have, is the submittals; information back and forth. If it is not complete and we can't review it, we don't need to start. We have started to return those and say, you need to do a better job. The clock starts in a lot of peoples' minds, when they mail us something or when they drop something off at the office. If it is incomplete, it wastes everyone's time. We are also working on a log system so that the engineering firms that we typically deal with, and the owners, the people that are submitting can all look and see what the status is. It helps with the communication between those folks and us. We are putting together a package to do field training out in the field with our folks in the 40 districts and the 14 divisions about what they should be looking at, what they should be comfortable with. This is not an exact science. You are predicting based on one individual development. What affects it will have on the road, not knowing what you may get in next week right down the road that will have similar affects. It will never be perfect, it will never be 100%. What should we be comfortable with? We need to work with our folks to make sure that they are at that point. That should help with less reviews coming to Raleigh and more approvals being made out in the field.

Senator Jenkins recognized Senator Rand. Senator Rand stated you're talking about you have a permit of a 4,000 lot subdivision, is this for the roads within the subdivision?

Mr. Nance stated there are two approvals; one is the driveway where it connects the existing system. We also review the subdivision plans if they are going to become a state maintained road. We will review the subdivision design.

Senator Rand asked are there stated requirements for the subdivisions?

Mr. Nance stated yes. We have a subdivision manual that is available on line.

Senator Rand asked how long it would take you to review that, the plan within the subdivision. How much work is involved in that?

Mr. Nance stated it would take a high level technician, and if everything submitted meets our design standards you could turn something around like that probably within a week's time.

Senator Rand stated, you've got engineers and architects, don't they certify that what they have given to you meets all your requirements.

Mr. Nance stated that some do; there is interpretation there.

Senator Rand asked why can't you just require them. Why can't you make them submit under oath that it meets all state requirements? Bond them, and then you don't have to spend a week, you just prosecute them if it doesn't. We put 88 new District Attorneys out there in the last budget. If we are telling people what needs to be done, then you require them to submit that it meets all the specifications. Post a bond; what would be wrong with doing it that way?

Mr. Nance stated that there are some counties that have taken that approach to require bonding, and there are many that have not.

Senator Rand stated that in a subdivision with 10 lots, when you get in a development, the developer knows what will be required. There is a certain amount of gamesmanship. If he can skate by, then he skates, but if we tell him what he has to do, and we put someone in jail for not doing it, I'd say after that you won't have much trouble with it.

Senator Jenkins recognized Representative Saunders. Representative Saunders stated you said the district offices review these; are the standards the same for each district. Are there state standards that we have to adhere to?

Mr. Nance stated yes.

Senator Jenkins recognized Representative Jones. Representative Jones asked if there was a penalty for noncompliance.

Mr. Nance stated there is. Ultimately, we have to take the roads over for maintenance and if we don't do that from a subdivision standpoint, then there is a liability there because they are responsible for maintaining that road.

Senator Jenkins stated the standards within the subdivision are not your concern as much as turning those 4,000 cars loose on this road. That is where they need to spend their time; to see what the impact is when it hits the road.

Senator Rand stated that a man submits 4,000, and he may or not be aware that there is another 4,000 across the road or just down the street.

Mr. Nance stated that some of the other options are private engineering firms. We also have the option to hire those firms to work with us, or to work exclusive. There are concerns, because the plans and impact analysis are being done by these same firms. If you work for DOT, you can't do the private side of that work. If we are going to speed things up, we will have a major issue with staffing because we are not set up for that. That would require much coordination with municipalities and right now we don't have the ability to force the issue if a municipality can't resolve their concerns in a timely fashion. In Brunswick County since 1999, 80,000 units on 40,000 acres; that is two units per acre; Pender County, 16 developments under review, 10 recently approved. All of them feed into NC 17. We have no provisions to make improvements to NC 17. You can see the cumulative impacts and these are not rural areas. When you throw in a Raleigh or Charlotte, it is a totally different story.

Senator Jenkins recognized Representative Coates. Representative Coates stated that you said it takes six to eight weeks now. If we do this express permitting what kind of time frame are we talking about seeing?

Mr. Nance stated it would be a week to two weeks. I'm making an assumption on cooperation with the people that approve these permits with us.

Representative Coates stated that this is a problem that affects every part of the state. Do we anticipate that it will take more funding for this?

Mr. Nance stated yes without a doubt.

Senator Jenkins recognized Representative Saunders. Representative Saunders stated that the complaints I get is the length of time it takes. I don't think I have ever had a complaint that said they were sorry they only charged \$50 to do this. Could we put together some kind of a matrix, depending on what the development is as to what the charge would be? Fifty dollars to a developer is almost a nuisance fee. There should be some way we could charge based on what they are asking. If someone wants to do a project and you are looking at eight weeks to a year; that is too much.

Senator Jenkins recognized Senator Rand. Senator Rand stated that on environmental permits, don't they pay an additional fee if they want to expedite permitting.

Senator Jenkins recognized Representative Allen. Representative Allen asked if those express permitting fees are set at a level to provide the staff it needs.

Mr. Nance stated yes, they would have to be. I want to go back to a comment I made to Senator Rand. You asked me how long to review the subdivision. If you are in Columbus County, one week; if you are in Wake County, because it is multiple subdivisions, you run out of staff.

Senator Jenkins recognized Representative Cole. Representative Cole stated do you have a transmittal sheet where you check off all the forms that are required as you put one in.

Mr. Nance stated yes, we have a process in the driveway manual and the subdivision manual that lays that out. As we approve them, in our letters of transmittal, we tell them the things we have approved and things they need to do.

Representative Cole asked how many come in incomplete.

Mr. Nance stated probably 30%.

Representative Cole stated you should establish a penalty and that would stop that.

Senator Jenkins stated that I would recommend that you and your staff look at some fee recommendations, and see if we can't take care of it during the short session.

Senator Jenkins adjourned the meeting at 11:35 a.m.

Senator Clark Jenkins,
Co-Chairman

Representative Nelson Cole,
Co-Chairman

Pattie Johnson,
Committee Assistant

